June 29, 2010

VIA ELECTRONIC FILING
Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street. S.W.
Washington, DC 20554

Re: *Ex Parte* Presentation: WC Docket No. 07-135

Dear Ms. Dortch:

Free Conferencing Corporation responds to the recent *Ex Parte* letter filed by Vonage Holdings Corp. ("Vonage").[1]

Vonage asks the Commission to drive down its costs in order to allow its unlimited long distance plans to become more profitable. Vonage and its competitors knew that the payment of per-minute access charges was a reality in the telecommunications sector and, nevertheless, created a product that desensitizes consumers to the costs associated with making and receiving the very telephone calls about which they now complain. Now that the all-you-can-eat products have proven popular with consumers, Vonage attempts to leverage their popularity as a basis for the Commission to change the rules of the game in order to eliminate paying Local Exchange Carriers for the valuable work they do in enabling Vonage's consumer's access to equally popular conference calling services. Indeed, the only way that Vonage, a nomadic VoIP provider availing itself of the enhanced service provider ("ESP") exemption, is able to provide its service at all is that it is "interconnected" with the public switched telephone network ("PSTN"), pursuant to agreements with telecommunications providers, who do the work to terminate calls of Vonage customers to other carriers and who provide Vonage with telephone numbers that Vonage "leases" and assigns to its customers. The bottom line is that without access to telephone numbers and the PSTN, Vonage is little more than a retailer of VoIP hardware and a marketing company – it relies entirely upon the LEC networks with whom it contracts to provide its services to its customers.

Since Vonage has no real network of its own, its value to its customers is the ability to provide "unlimited" call termination for $25.99 per month. It is specifically because Vonage has refused to price its services according to its costs that Vonage now finds itself asking for permission to stop paying for the very service that gives it its value. Vonage's request screams of hypocrisy, since it aims to collect the originating access while it condemns those who own and

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[1] Letter from Tamar E. Finn, Counsel for Vonage, to Marlene Dortch, WC Docket No. 07-135 (June 24, 2010) ("Vonage *Ex Parte*").

maintain the network, and for their contribution look to collect the terminating access. The terminating access, the ability to provide "all points connected" service, is what gives Vonage its value. Vonage claims that this cost is 14.5% of its operating expenses, which seems to be a bargain for all it is getting. If one accepts Vonage's position, the next progression would be to say that the Magic Jack model, which has "unlimited" service priced at $1.70 per month, propped up by charging 12 months in advance, should be able to make its own rules regarding what telecommunications services it should have to pay for, after it collects its up-front originating access fee. In the end the result would be that anyone could charge any price in order to entice the consumer into paying for "unlimited" service. And once the consumer is captive, keeping the promise to provide that "unlimited" service at the specified price becomes someone else's responsibility.

The PSTN is a metered network with specific and defined costs. An "unlimited" marketing plan that disregards those determinable costs is not only a poor business model, but it is the very reason that Vonage finds itself begging for help; the "unlimited service for a specific price" business model attracts customers who plan to use an inordinate amount of service, and who recognize a bargain in getting unlimited service at a price below what they would ordinarily expect to pay. Every company wants lower costs, but perhaps Vonage should reevaluate its marketing plan before asking that the Commission adopt yet more regulations that are designed to eliminate services that provide great value to consumers and, which Vonage admits are a "small [cost] relative to total traffic termination." Vonage – which has repeatedly touted to the public the benefits of "unlimited calls" – should be told to live up to the bargain it has made.

Respectfully submitted,

David Erickson
Free Conferencing Corporation, CEO

cc: Lynne Engledow
John Hunter
Albert Lewis
Douglas Slotten